FINANCIALink

Your Money Management Newsletter

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$1.524 trillion

U.S. outstanding student loan debt in the first quarter of 2018, the first time the total has topped $1.5 trillion. Student loan balances have ballooned quickly since the second quarter of 2012, when the total first passed $1.0 trillion.

Source: Federal Reserve, 2018

Record-Setting Generosity

U.S. charitable giving reached new heights in 2017 for the second year in a row (in current and inflation-adjusted dollars). As usual, the largest share of the $410 billion total came from individual donors (70%). Corporate giving grew the most, as profits rose at a healthy 4.1% and companies sought larger 2017 deductions before a slashed corporate tax rate took effect in 2018.

Donations by source

$286.6 billion	**$66.9 billion**	**$35.7 billion**	**$20.8 billion**
Individuals	**Foundations**	**Bequests**	**Corporations**
+5.2%	**+6.0%**	**+2.3%**	**+8.0%**

Year-over-year change in giving

Source: Giving USA Foundation, 2018

Practical insights for your **FINANCIAL GOALS**

Volume 28 • Issue 11

Competing Goals: Pay Off Student Loans or Save for Retirement?

Many college graduates face a tough decision early in their working lives: pay off student loans or save for retirement. It's a financial tug of war between digging out from debt today and saving for tomorrow, both of which are very important goals.

Recent graduates might enter the workforce with little more than their diplomas and student debt averaging about $37,000.[1] This equates to a monthly payment of $392, assuming a 5% interest rate and standard 10-year repayment term. (For reference, the 2018–2019 interest rate for undergraduate federal Direct Loans is 5.045%.)

As young adults adapt to living on their own, they must juggle their student loan payments along with other financial obligations such as rent, food, and transportation. Let's face it, putting aside money now to use in four decades may not seem compelling when loans require immediate attention.

The typical repayment term for student loans is a long 10 years. Waiting until loans are fully paid off before starting to save for retirement can mean missing out on years of potential tax-deferred growth in an employer-sponsored retirement plan or an IRA. If your employer offers a match, consider contributing the minimum amount to get the match, then try to increase your contribution amount as you can.

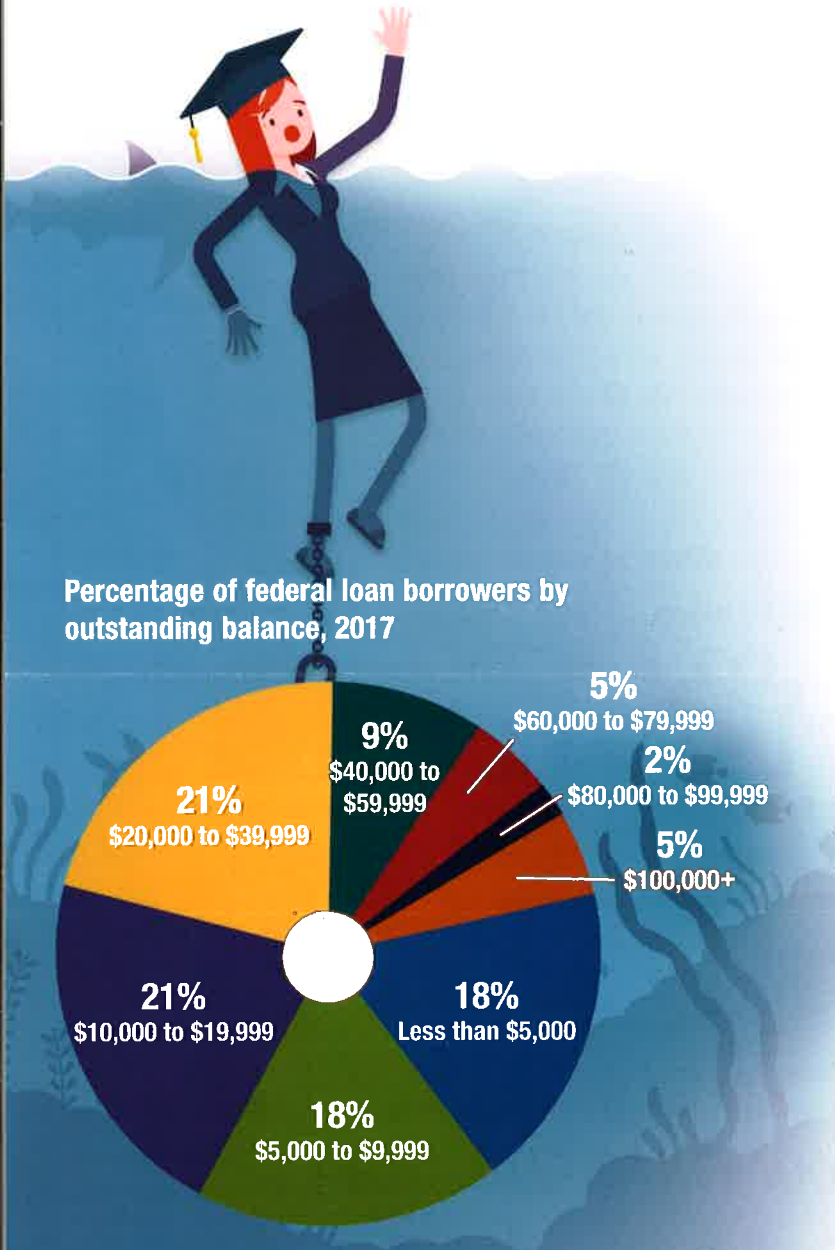
The one thing young adults have on their side is time, and that time is valuable on the retirement front. Consider two adults: One starts saving $300 a month toward retirement at age 25 for 10 years, and the other starts saving the same amount at age 35 for 10 years. After the 10 years, assume the money simply sits in the account until they reach age 65, earning a 5% annual rate of return. Both adults have contributed the same $46,585 amount, but at age 65 the 25-year-old would have $208,130 and the 35-year-old would have $126,368 — a difference of more than $80,000. *(This is a hypothetical example of mathematical principles and is not intended to reflect the actual performance of any specific investment.)*

What about paying more toward student loans each month to pay them off faster versus contributing those extra funds to retirement? If the interest rate on a student loan is relatively low, the potential long-term return earned in a retirement account may outweigh the benefits of shaving a year or two off student loans.

Realizing the dilemma that many young employees face, a handful of employers are offering student loan benefits, such as a specific amount toward student loan payments or an enhanced retirement plan match when employees contribute a designated percentage of their salaries toward repaying student loans.[2] Watch for these benefits to grow in popularity as student debt impacts an increasing number of young workers.

Drowning in Debt

About 42% of student borrowers owe more than $20,000.



Percentage of federal loan borrowers by outstanding balance, 2017

Source: College Board, 2017 (does not equal 100% due to rounding)

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1) MarketWatch.com, May 12, 2018

2) Employee Benefit News, July 5, 2018

Low-Volatility Strategies for a Less-Stressful Ride

After an unusually steady 2017, the U.S. stock market took a more volatile turn in the first half of 2018.[1] A number of factors contributed to this year's volatility, but trade tensions between the United States and its largest trading partners were a frequent trigger. A series of announced tariffs raised the possibility of a broader trade war and repeatedly spurred market jitters.[2]

Volatility refers to stock market ups and downs, but few investors worry about the ups. It's the downs that may cause investors to lose sleep at night.

If you don't need the money in your portfolio for a long time, you may be better off tuning out day-to-day movements in the market and sticking with your investment approach. However, if you are nearing retirement or just have a more conservative risk tolerance, holding stocks and stock funds that tend to be less volatile may help you manage risk while maintaining a robust equity portfolio.

Stocks and Funds

All stocks are volatile to some degree, but investors who are pursuing higher returns have to accept higher risk and price swings. Even so, some stocks have historically been less volatile than others.

For example, stocks of larger, well-established companies tend to be less volatile than the stocks of smaller companies, and certain market sectors tend to fluctuate more than others. A portfolio invested too heavily in a particular company, industry, or market sector could also carry higher risk and volatility.

Some mutual funds and exchange-traded funds (ETFs) — typically labeled "minimum volatility" or "low volatility" — focus on managing volatility and may help stabilize the equity portion of your portfolio. These funds vary widely in their objectives and strategies, and there is no guarantee that they will maintain a more conservative level of risk, especially during extreme market conditions.

Major Moves

Number of trading days with price swings in the S&P 500 index

Up or down	2017	First half of 2018
1% or more	8	36
2% or more	0	8

The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

Source: Yahoo! Finance, 2018 (data from January 1, 2017, through June 30, 2018)

Keep an Eye on Beta

One commonly used measure of a stock or stock fund's volatility is its *beta*, which is typically published with other information about an investment. The stock market as a whole (represented by the S&P 500 index) is generally considered to have a beta of 1.0. A beta higher than 1.0 means the investment has been more volatile than the broader market, whereas a beta below 1.0 indicates it has been less volatile.

For example, a beta of 0.8 means that the investment has been about 80% as volatile as the market. In theory, such an investment might experience only 80% of market gains during an upswing and only 80% of losses during a downswing — and thus would have less ground to regain when the market turns upward again.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The principal value of all stocks, mutual funds, and ETFs will fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

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1) Yahoo! Finance, 2018

2) *The Wall Street Journal*, July 5, 2018

Will Holiday Shoppers Present a Gift to the U.S. Economy?

You may be wondering why holiday retail sales trends receive so much attention from the news media and investors. On a broader level, they act as an economic barometer, reflecting consumer confidence and funds for discretionary spending.

In 2017, holiday spending in November and December exceeded expectations and rose 5.5% over 2016, the highest increase since 2005. These promising results have been attributed to factors such as low unemployment, a pickup in wages, a rising stock market, and anticipated tax cuts.[1]

Seasonal Spending

Consumer spending accounts for almost 70% of U.S. gross domestic product, so it's essential to the nation's economic engine.[2] The National Retail Federation (NRF) tracks a specific segment of consumer spending: sales at retail outlets such as department stores, discount stores, grocers, specialty stores, and online businesses, while excluding automobile dealers, gas stations, and restaurants. These figures do not capture spending on services, which account for about two-thirds of all consumer spending.[3]

Still, retail sales are important, and the NRF reported that sales in November and December 2017 accounted for nearly 20% of total retail sales for the year.[4] (To put that in perspective, any two months of the year should account for about 16.7% of sales, on average.) November and December offer the last chance for all businesses to meet calendar-year revenue goals.

Holiday Hiring

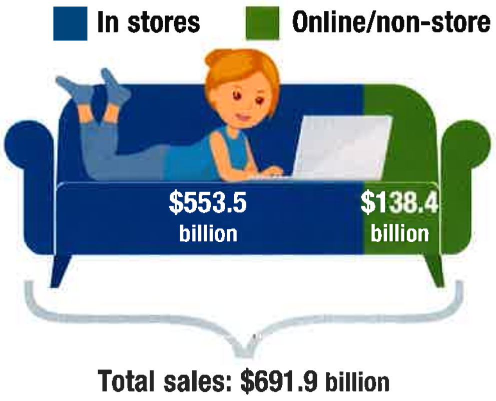
Retail companies must typically hire extra employees to work in stores and distribution centers during the holidays. About 668,000 new retail workers were hired in the last three months of 2017, a 4.4% increase over the previous year.[5]

Prior to 2017, the number of seasonal retail jobs (in October, November, and December) had been falling from a post-recession peak of 786,800 in 2013 to 641,000 in 2016.[6] This was partly due to the expansion of online shopping and the closing of brick-and-mortar stores. However, a tightening labor market with more permanent full-time jobs has also made temporary positions harder to fill. Many seasonal workers are laid off after the holidays, but the additional wages are important to them personally and may help stimulate the economy as paychecks are recirculated.

Shopping on the Couch

Online and other non-store holiday sales were 11.5% higher in 2017 than they were in 2016.

Share of total 2017 holiday sales, in stores vs. online/non-store



Source: National Retail Federation, 2018

1, 4) National Retail Federation, 2017-2018
2–3) U.S. Bureau of Economic Analysis, 2018
5–6) Challenger, Gray & Christmas, 2018

Would you like to discuss how your portfolio might perform under a range of market conditions? Call to make an appointment today for a comprehensive review.

Working toward a better financial future,